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May 5, 2006

Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429

Dear Acting Chairman Gruenberg:

Thank you for holding public hearings on Wal-Mart's application for federal deposit insurance coverage for its proposed Utah-based industrial loan corporation (ILC). The FDIC is to be commended for recognizing the significance of this application and providing a forum for the public to voice its views.

These public hearings created an extensive and compelling record demonstrating that Wal-Mart's application fails to meet the requisite statutory criteria under Section 6 of the FDI Act and must be denied. Witnesses testified that:

- A Wal-Mart Bank would threaten the stability of the payments system by processing more than \$170 billion a year in electronic transactions from Wal-Mart stores, which represents 1400 times the bank's capital (**adequacy of capital and risk to the Deposit Insurance Fund**).
- A Wal-Mart Bank would pose severe risks to the Deposit Insurance Fund and to the economy as a whole, that could produce staggering losses in case of a failure, because of Wal-Mart's size, global reach, and extraordinary risks (**risk to the Deposit Insurance Fund**).
- Wal-Mart has a history of statutory and regulatory violations and is one of the most often sued companies in history (**general character and fitness of management**).
- A Wal-Mart Bank would destabilize communities by diverting capital out of the community, creating a capital vacuum and depriving affected communities of strong stakeholder resources, and potentially skew loan decisions by steering capital away from businesses that compete with it (**convenience and needs of the community**).

Moreover, Wal-Mart's application violates long-standing public policy to keep banking and commercial interests separate. Countries that have allowed the mixing of banking and commerce have faced economic hardships as a result.

Wal-Mart promised to stick to its business plan and not engage in retail banking. However, testimony and evidence provided by the witnesses should make the FDIC skeptical that Wal-Mart will honor the business plan for long. One banker witness who leased space from Wal-Mart testified that even though Wal-Mart promised that the bank would have exclusive rights to offer financial products and services in the store, that promise was repeatedly broken.

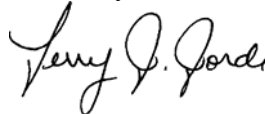
Wal-Mart already engages in financial services, offering services such as money orders, remittances and payroll check cashing in its stores. Recently, Wal-Mart distributed a flier to its employees advertising "The Wal-Mart Mortgage Program." Company executives have already stated that they would like to expand into financial services. The application itself shows that the proposed industrial bank will offer CDs to non-profit corporations and individuals through brokers. Wal-Mart has tried on three earlier occasions to expand into retail banking. Once Wal-Mart has deposit insurance coverage for its ILC, it will be in a position to grow its financial lines of business beyond the boundaries of its initial business plan.

Witnesses questioned the character and fitness of Wal-Mart to be entrusted with a bank by noting that it is the most often sued company in history. Witnesses presented a litany of lawsuits, settlements, and governmental fines for violations of law covering numerous areas—pricing, copyright, deceptive practices, employment discrimination, undocumented workers, child labor, wage and hour laws, among others. Wal-Mart's defense for this record is that it is a big company. That is just not good enough for the FDIC to grant deposit insurance coverage and potentially put millions of depositors and taxpayers at risk.

On behalf of ICBA's community bank members and the communities and millions of families we serve, we urge you to carefully consider the weight and content of the testimony delivered during three days of public hearings, the concerns expressed by nearly 100 members of Congress, and the commentary of more than 4,000 Americans who submitted comment letters.

In light of this record, we believe you must deny the application.

Sincerely,



Terry J. Jorde  
Chairman

cc: Honorable Thomas J. Curry  
Honorable John C. Dugan  
Honorable John M. Reich  
Robert E. Feldman, Executive Secretary, FDIC